

HOUSE BILL REPORT

HB 1252

As Reported by House Committee On:
Community & Economic Development & Trade
Capital Budget

Title: An act relating to wage criteria used by the community economic revitalization board to determine project selection.

Brief Description: Concerning the community economic revitalization board's project selection criteria.

Sponsors: Representatives Kenney, Smith, Bailey, Seaquist, Haler, Kristiansen, Kelley and Herrera; by request of Department of Community, Trade and Economic Development.

Brief History:

Committee Activity:

Community & Economic Development & Trade: 1/22/09, 2/19/09 [DPS];
Capital Budget: 2/24/09, 3/2/09 [DP2S(w/o sub CEDT)].

Brief Summary of Second Substitute Bill

- Eliminates the Community Economic Revitalization Board (CERB) threshold requirement that an application show convincing evidence that the median hourly wage of private sector jobs created upon project completion will exceed the countywide median hourly wage.
- Requires the CERB to prioritize applications based on annual average wage levels or on provision of health or retirement benefits.
- Authorizes the CERB to apply one of three exceptions in order to consider a project that does not meet wage level or benefit standards.
- Requires additional CERB reporting and tracking of projects for which an exception is made.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Lias, Orcutt, Parker, Probst and Sullivan.

Staff: Meg Van Schoorl (786-7105)

Background:

The Community Economic Revitalization Board (CERB) is a statutorily authorized state board charged with financing publicly-owned economic development infrastructure improvements that encourage new business development and expansion in areas where growth is desired. Staffing for the CERB is provided by the Department of Community, Trade and Economic Development (DCTED).

The CERB program provides local governments low-interest loans and, occasionally, grants to help finance public facility projects. Traditional assistance in the CERB program is primarily targeted to rural communities. Counties, cities, towns, port districts, federally-recognized Indian tribes, special purpose districts, municipal corporations, and quasi-municipal corporations with economic development purposes are eligible to apply. The CERB financing can be used for public facilities including, but not limited to, bridges, roads, domestic and industrial water, sanitary and storm sewers, and railroad spurs. In recent years, the Legislature has given the CERB responsibility for implementing the Job Development Fund (JDF) and Local Infrastructure Financing Tool (LIFT) programs.

In the 2008 legislative session the CERB statute was amended to require that, in addition to other threshold eligibility criteria, an application demonstrate convincing evidence that the median hourly wage of the private sector jobs created upon project completion will exceed the countywide median hourly wage. This requirement is to take effect July 1, 2009.

Summary of Substitute Bill:

An application to the CERB will not be required to demonstrate, as a threshold determinant of eligibility, convincing evidence that the median hourly wage of the private sector jobs created upon project completion will exceed the countywide median hourly wage.

Instead, when considering construction projects for financing, the CERB must first consider whether the annual average wage of the jobs created after the project is completed will meet or exceed the countywide annual average wage. If the wages requirement is not met, then the CERB must consider whether the jobs created after the project is completed will include health care benefits or retirement benefits or both. If the benefits requirement is not met, then the CERB is authorized to apply any one of three exceptions: (1) the project is located in a county whose average unemployment rate exceeds the statewide average by 25 percent over the past three years; or, (2) the project is located in an Innovation Partnership Zone; or, (3) the project has received funding from the Economic Development Strategic Reserve Account.

In a case where the CERB uses one of the exceptions to consider a project, the CERB must provide a written rationale to the public, the Governor, and the Legislature. In addition, the CERB is required to track wage and benefit progression and employment growth for each excepted project for five years after completion, and provide a case study on each in the biennial report.

Several of the current CERB prioritization factors are eliminated: the relative benefits provided to the community by the jobs the project would create; the rate of return on the state's investment; accommodation of projected population and employment growth; and an applicant's adherence to development permitting guidelines recommended in Engrossed Senate Bill 5508 (2007).

Substitute Bill Compared to Original Bill:

When prioritizing a project application, the CERB must first consider annual average wage levels. The CERB must not exclude public sector or federal contract employment from its calculation of countywide average annual wages. If the wage level standard is not met, the CERB must consider whether health or retirement benefits or both are provided. If the benefits standard is not met, the CERB may apply one of three exceptions, but then must provide written, track wages, benefits, and employment growth for five years, and provide a case study in the biennial report, for each excepted project.

The CERB is no longer required to consider several existing prioritization factors.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 19, 2009.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) In anticipation of a July 1, 2009 implementation of the median hourly wage threshold requirement, the CERB analyzed projects approved for funding in the last five years. The CERB members and staff were concerned to find that 40 percent of the previously approved projects would not even have been considered, much less funded, had the requirement been in place. Very successful projects such as Rail-Ex, that have been notably beneficial to rural communities, would have been excluded from consideration, in some cases because their wages missed the mark by a few cents. The threshold nature of the requirement is a problem, and it should be eliminated. In addition, the calculation of median hourly wage includes public sector wages which skew the wage level considerably, especially in rural counties, as does Hanford's federal contract employment. To avoid these "apples-to-oranges" comparisons, the CERB and the DCTED propose that public sector wages overall and federal contract employment wages in Benton County be excluded from

the countywide wage calculations. The private sector wages of jobs created by CERB-funded projects should be compared to private sector wages countywide.

(Opposed) None.

Persons Testifying: Representative Kenney, prime sponsor; Marie Sullivan, Department of Community, Economic Development and Trade; Michael Tracy, Grays Harbor Economic Development Council and Washington Economic Development Association; Ashley Probart, Association of Washington Cities; and Ginger Eagle, Washington Public Ports Association.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Community & Economic Development & Trade. Signed by 13 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Blake, Grant-Herriot, Hope, Jacks, Maxwell, McCune, Orwall, Smith and White.

Minority Report: Without recommendation. Signed by 1 member: Representative Anderson.

Staff: Nona Snell (786-7153)

Summary of Recommendation of Committee On Capital Budget Compared to Recommendation of Committee On Community & Economic Development & Trade:

The second substitute bill reinstates the prioritization criterion in current law that facility investment will increase existing capacity necessary to accommodate projected population and employment growth in a manner that support infill and redevelopment of existing urban or industrial areas that are served by adequate public facilities.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Second Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The Department of Community, Trade and Economic Development (DCTED) did some analysis of the hourly median wage threshold and found that the threshold can present a barrier for some community projects; 45 percent of small projects that the Community Economic Revitalization Board (CERB) has funded in the past would not meet the threshold and would not be considered by the CERB. These projects are vital and many

are successful in helping rural communities. The bill represents a compromise between labor and the DCTED. The bill requires the CERB to be accountable for public dollars and ensures that the jobs created are living wage jobs, while providing options and flexibility for rural and small communities. The bill has no fiscal impact. The bill removes the threshold to allow projects to come into the door. The CERB will still consider wage levels in project applications. Benton County's unique wage issues can also be part of this discussion.

(Opposed) The bill as amended removed key and vital language. The bill should align state policy goals with funding. The prioritization criteria should be re-added to the bill.

Persons Testifying: (In support) Representative Kenney, prime sponsor; Marie Sullivan, Department of Community, Trade and Economic Development; and Diahann Howard, Washington Economic Development Association, Washington Public Ports Association, and Port of Benton.

(Opposed) Terri Jeffreys, Washington Association of Realtors.

Persons Signed In To Testify But Not Testifying: None.